

Message Text

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SECDEF WASHDC

INFO ALL NATO CAPITALS 4832

AMEMBASSY MADRID

USCINCEUR

USNMR SHAPE

USLOSACLANT

USLOSACLANT

CINCUSAREUR

CINCUSNAVEUR

CINCUSAFE

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 6906

E.O. 11652: GDS

TAGS: MPOL NATO

SUBJECT: DPC MINISTERIAL MEETING DECEMBER 10, 1974:

AGENDA ITEM V, INFRASTRUCTURE

REFS: A. DPC/D(74)27 (REVISED)

B. DPC/D(74)28 (REVISED)

BEGIN SUMMARY. THIS MESSAGE REPORTS ON ITEM V.A. - NEXT FIVE-YEAR NATO COMMON INFRASTRUCTURE PROGRAM (SLICES XXVI-XXX), AND ITEM V.B-NICS PRODUCTION SHARING.

ITEM V.A. - DECISION AS SUMMARIZED BY SYG LUNS AND AS IT WILL APPEAR IN MINISTERIAL RECORD WILL SHOW AGREEMENT OF MINISTERS TO A CEILING OF IAU 400 MILLION FOR NEXT GROUP OF SLICES XXVI-XXX (1975-1979). IT WILL ALSO SHOW AGREEMENT ON COST SHARING OPTION 4 (ANNEX TO REF A) SUBJECT TO US AND UK CONFIDENTIAL

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FIRMATION. SECRETARY SCHLESINGER (US) REFERRED TO CONGRESSIONAL LIMIT OF 20 PCT ON US CONTRIBUTION, HIS INABILITY TO SPEAK FOR CONGRESS ON ACCEPTABILITY OF OPTION 4, AND HIS INTENTION TO SEEK CONGRESSIONAL VIEWS. HE ALSO MENTIONED US

REQUIREMENT FOR ACCEPTABLE ARRANGEMENT ON PROJECTS INCLUDED IN US SPECIAL PROGRAM. DEFENCE MINISTER MASON (UK) REFERRED TO ISSUE OF ELIGIBILITY OF PROJECTS IN SPECIAL PROGRAM BUT DID NOT GO BEYOND INSISTENCE ON QUOTE CASE-BY-CASE EXAMINATION UNQUOTE, INDICATING THEIR AGREEMENT WOULD FOLLOW THAT OF US AND WOULD BE CONTINGENT ON DPC AGREEMENT ON PROJECTS IN SPECIAL PROGRAM. UNDER SECRETARY OLCAY (TURKEY) COULD RELUCTANTLY ACCEPT PRINCIPLE OF SPECIAL PROGRAM BUT DECLINED TO CONTRIBUTE TO IT.

ITEM V.B. - AFTER STRONG STATEMENT BY DEFENCE MINISTER RICHARDSON (CANADA) REFLECTING DISSATISFACTION WITH FINANCIAL RETURNS TO CANADA FROM INFRASTRUCTURE, AND SOME OBSERVATIONS ON IMPORTANCE OF COMPETITION ON NATO PROJECTS BY SECRETARY SCHLESINGER, MINISTERS AGREED ON COMPROMISE MANDATORY PRODUCTION SHARING PERCENTAGE OF 27.5 PCT FOR TELEGRAPHIC AUTOMATIC RELAY EQUIPMENT (TARE) AND INTERIM VOICE SWITCHING NETWORK (IVSN). END SUMMARY.

ITEM V.A.

1. SYG LUNS OPENED DISCUSSION ON COST SHARING WITH SUMMARY OF HISTORY AND CURRENT SITUATION AND POINTED OUT THAT QUICK AGREEMENT WAS NECESSARY IF QUOTE ONE OF NATO'S MOST SUCCESSFUL AND MOST IMPORTANT PROGRAMS WAS TO MOVE OUT ON SCHEDULE UNQUOTE. HE EMPHASIZED NEED OF MILITARY FOR TIME TO RETHINK FIVE-YEAR PROGRAM IN LIGHT OF LIMITED FUNDING AT IAU 400 MILLION.

2. SECRETARY SCHELESINGER OBSERVED THAT THIS ITEM WOULD BE TEST OF RAPID DECISION MAKING AND REATIONALIZATION DISCUSSED IN MORNING SESSION AND WENT ON TO EXPLAIN CONGRESSIONAL DEMAND FOR US SHARE OF NOT MORE THAN 20 PCT. HE THOUGHT CONGRESS MIGHT ACCEPT FORMULA IN OPTION 4, BUT COULD NOT BE SURE AND WOULD HAVE TO CONSULT WITH CONGRESSIONAL COMMITTEES. AFTER EXHORTATIONS BY LUNS AND AMBASSADOR DE STAERCKE (BELGIAN PERM REP), SECRETARY SCHLESINGER ADDED THAT HE HAD TO WORK WITHIN US CONSTITUTIONAL SYSTEM IN WHICH EXECUTIVE MUST BE RESPONSIVE TO LEGISLATIVE.
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3. MASON MADE RELATIVELY MODERATE STATEMENT, POINTING OUT THAT UK HAD, THROUGHOUT COST SHARING DISCUSSIONS, REFRAINED FROM ASKING FOR A REDUCTION IN ITS COST SHARE ALTHOUGH THEY THOUGHT THAT THEY HAD A CASE. HE REMINDED GROUP THAT UK DID COME UP 33 PCT (IAU 300 MILLION TO IAU 400 MILLION) TO MAKE PRESENT PROGRAM POSSIBLE. HE SAID UK CAN ACCEPT ANY SCHEME INVOLVING CEILING OF IAU 400 MILLION AND UK SHARE OF NOT MORE THAN IAU 48 MILLION. HE EXPRESSED PREFERENCE FOR OPTION 4 AND PASSED ELIGIBILITY ISSUE ON SPECIAL PROGRAM BY SIMPLY SAYING THEY EXPECTED CASE-BY-CASE EXAMINATION OF PROJECTS, AND THAT WHEN AGREEMENT HAD BEEN REACHED ON PROJECTS, UK COULD GIVE ITS FINAL AGREEMENT TO OPTION 4.

4. OLCAY ACCEPTED IAU 400 MILLION CEILING BUT SAID TURKEY
COULD NOT AGREE WITH PRINCIPLE OF QUOTE ESTABLISHING A SPECIAL
PROGRAM FOR BENEFIT OF SINGLE NATION OR GROUP OF NATIONS UNQUOTE.
HE ADDED, HOWEVER, THAT IN INTEREST OF UNANIMITY, HE COULD AGREE
TO A US SPECIAL PROGRAM, BUT THAT TURKEY COULD NOT CONTRI-
BUTE TO IT.

5. ADMIRAL SIR PETER HILL-NORTON (CHAIRMAN, MILITARY COMMI-
TTEE) CONCEDED THAT IT WAS APPARENT MINISTERS WOULD NOT AGREE
TO MORE THAN IAU 400 MILLION PROGRAM AND SAID MILITARY WOULD
PREFER OPTION 4 BECAUSE IT CONTAINS ONE OF THE SMALLER US
SPECIAL PROGRAMS. IN ANY CASE, HE FELT OBLIGATED TO POINT
OUT THAT SACEUR AND SACLANT HAD PROPOSED PROGRAM OF IAU 926
MILLION, INCLUDING PRIORITY 1 PROJECTS TOTALLING NEARLY IAU
600 MILLION. HE SAID THAT MAJOR NATO COMMANDERS ARE NOW
ASSESSING IMPACT OF IAU 400 MILLION PROGRAM, THAT THIS WOULD
REQUIRE CONSULTATION DOWN THE LINE INCLUDING MODS AND COULD
NOT BE COMPLETED BEFORE SUMMER 1975. HE MADE THREE QUOTE
CARDINAL UNQUOTE POINTS: (1) MILITARY NEED A DECISION VERY
SOON IN ORDER TO HAVE TIME FOR PLANNING; (2) IAU 400 MILLION
CEILING MEANS NO MONEY FOR NEW PROJECTS, CONSIDERING ALREADY
COMMITTED FUNDS, AND NO MARGIN FOR UNFORESEEN NEEDS; AND (3)
INFERENCE IS CLEAR THAT UNDER CONSTRAINTS OF THIS CEILING,
PART OR ALL OF IMPORTANT PLANNED PROJECTS, E.G., NICS
AND AIRCRAFT SHELTERS, CANNOT BE DONE BEFORE 1980, AND PERHAPS
NOT EVEN THEN. IT WILL BE NECESSARY TO RESTRUCTURE OR IMPLE-
MENT AT A SLOWER RATE IN ORDER TO MAINTAIN BALANCE AMONG
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CATEGORIES AND REGIONS. SIR PETER CLOSED BY SAYING THAT WHEN
REASSESSMENT IS COMPLETED HE MAY NEED TO COME BACK TO DPC
ON WHOLE QUESTION OF NATO INFRASTRUCTURE TO GET QUOTE SPEC-
IFIC GUIDANCE ON HOW MILITARY ARE TO OPERATE UNQUOTE.

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-03 INR-05 L-02 ACDA-05

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TO SECSTATE WASHDC 9294
SECDEF WASHDC
INFO ALL NATO CAPITALS 4833

AMEMBASSY MADRID
USCINCEUR
USNMR SHAPE
USLOSACLANT
USLOSACLANT
CINCUSAREUR
CINCUSNAVEUR
CINCUSAFE

C O N F I D E N T I A L SECTION 2 OF 2 USNATO 6906

6. DEFENSE MINISTER FORLANI (ITALY) ACCEPTED OPTION 4 AND ADDED BRIEF STATEMENT ON ICB ISSUE OF COMPARISON OF BIDS EX CUSTOMS AND TAXES. HE REPORTED THAT AGREEMENT IS NEAR, THAT ITALY HAS SUBMITTED CONCRETE PROPOSALS FOR ESTABLISHMENT OF AN AD HOC AGENCY TO HANDLE MECHANICS, AND THAT CONCERNED NATO AGENCIES HAVE GIVEN THEIR AGREEMENT.

7. SEEING NO POSSIBILITY OF FURTHER RESOLUTION OF THE SEVERAL COST SHARING ISSUES, LUNS MOVED ON TO ITEM V.B.

ITEM V.B.

8. LUNS REFERRED TO HIS CABLE TO MODS PROPOSING A COMPROMISE MANDATORY PRODUCTION SHARE OF 27.5 PCT FOR TARE AND IVSN, OBSERVED THAT NICS WAS ENDANGERED BY LACK OF AGREEMENT ON THIS POINT, AND SAID HE HAD YET TO HEAR FROM CERTAIN NATIONS. RICHARDSON OPENED A LONG PLANTIVE STATEMENT BY SAYING HE FOUND IT CONFIDENTIAL

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DIFFICULT AND PAINFUL TO DISCUSS ISSUE OF PERCENTAGE OF OFFSET IN NICS BECAUSE CANADA'S PRINCIPAL PURPOSE FOR BEING IN NATO WAS TO CONTRIBUTE TO COLLECTIVE SECURITY, NOT TO SEEK ECONOMIC BENEFIT. HE SAID THEY HAD REACHED POINT AT WHICH THEIR SENSE OF EQUITY AND FAIRNESS FORCED THEM TO CLEARLY STATE THEIR VIEWS. BECAUSE OF GEOGRAPHIC LOCATION, CANADA HAS RECEIVED LITTLE ECONOMIC BENEFIT FROM INFRASTRUCTURE, ALTHOUGH THEY HAD CONTRIBUTED SINCE THE BEGINNING MORE THAN \$255 MILLION AND CONTINUED TO CONTRIBUTE \$14 MILLION ANNUALLY, NOT TO MENTION THE \$100 MILLION THEY HAD SPENT ON FORCES STATIONED IN GERMANY. HE SAID THAT PRACTICALLY ALL BASIC INFRASTRUCTURE WORK UNDERSTANDABLY HAD GONE TO EUROPEAN COUNTRIES, AND THAT MAJOR ELECTRONIC CONTRACTS HAD BEEN LARGELY WON BY US. HE SAID THEY HAD NEVER OBJECTED TO THIS, BUT THAT CANADA HAS SOME EXPERTISE AND CAPABILITY APPLICABLE TO NICS, AND THEY BELIEVE IT ONLY SIMPLE JUSTICE THAT THEY GET 60 PCT OF THEIR CONTRIBUTION, INDEED, CONSIDERING HISTORY, THEY MIGHT APPROPRIATELY RECEIVE 100 PCT. HE OBSERVED THAT IT SEEMS LIKELY THE US WILL GET APPROXIMATELY 200 PCT OF ITS CONTRIBUTION TO NICS. HE CONCLUDED BY SAYING THAT IT WAS THE NICS MANAGEMENT AGENCY THAT HAD PREDICTED AN IMBALANCE IN PRODUCTION SHARES AND THAT CANADA STILL FELT THAT A 30 PCT MANDATORY SHARE WOULD BE FAIR AND EQUITABLE. IN ANY CASE, CANADA RESERVED ITS POSITION ON SATEL-

LITE GROUND TERMINALS (SGT) UNTIL RESULTS OF TARE AND IVSN WOULD BE KNOWN.

9. LUNS POINTED OUT THAT ITALY HAD LINKED ITS POSITION TO CANADA AND THEREFORE CANADIAN AGREEMENT DOUBLY IMPORTANT. DE STAERCKE SUPPORTED CANADIAN POSITION, STATING THAT COMPROMISE OF 27.5 PCT WAS DICTATED BY CIRCUMSTANCES BUT WAS HARDLY FAIR. HE SAID BELGIUM PREFERRED 35 PCT, BUT WAS PREPARED TO RESPOND TO LUNS COMPROMISE PROPOSAL.

10. SECRETARY SCHLESINGER RESPONDED TO RICHARDSON POINTS BY SAYING HE SAW NO REASON WHY A COMPETITIVE INDUSTRY COULD NOT GIVE CANADA 60 PCT OR MORE, AND THAT IT WAS UP TO CANADIAN INDUSTRY TO WIN CONTRACTS UNDER COMPETITIVE CONDITIONS. HE DISAGREED WITH DE STAERCKE THAT IT WOULD BE UNFAIR TO FORCE THE NATIONAL INDUSTRY TO BE MORE COMPETITIVE AND EFFICIENT. LUNS CONTINUED IN SAME VEIN AND OBSERVED THAT CANADA COULD MEET THEIR REQUIREMENT EVEN WITHOUT MANDATORY PRODUCTION SHARING. CONFIDENTIAL

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HE SAID HE UNDERSTOOD THAT CANADA HAD NOT BENEFITTED AS MUCH AS OTHERS IN INFRASTRUCTURE AND PERHAPS THAT WAS PARTLY BECAUSE THEY DO NOT HAVE HUGE MILITARY FORCES IN EUROPE AS DOES US. HE SPECULATED THAT CANADA WAS WORRIED IT COULD NOT COMPETE AND THEN ASKED US IF THEY MIGHT RAISE PERCENTAGE FIGURE A LITTLE.

11. SECRETARY SCHLESINGER REMARKED THAT HE HAD HEARD IN MORNING SESSION A TOUCHING COMMENTARY ON RATIONALIZATION AND SPECIALIZATION BY ROUGH INTERNATIONAL DIVISION OF LABOR. HE SAID COMPETITIVE INDUSTRY CAN ALWAYS WIN THE NECESSARY PERCENTAGE AND THAT THEY NEEDED MANDATORY SHARING ONLY IF THEY WERE NOT COMPETITIVE. HE SAID THIS WAS NOT THE WAY OF RATIONALIZATION OR SPECIALIZATION. HE WENT ON TO POINT OUT THAT A MANDATORY PERCENTAGE WOULD DRAG IN THOSE PRODUCERS THAT WERE NOT EFFICIENT AND THAT WE NEEDED ULTIMATELY TO RELY ON THE MOST EFFICIENT PRODUCERS.

12. LUNS POINTED OUT THAT BASIC AGREEMENT ON NICS PRODUCTION SHARING GUARANTEES 80 PCT OF NICS PRODUCTION TO THE VARIOUS NATIONS, HE THEREFORE SAW NO PROBLEM AT ALL FOR CANADA, AND HOPED THAT CANADA COULD ACCEPT COMPROMISE FIGURE. HAVING REPEATED HIS STATEMENT ON SGT, RICHARDSON THEN GAVE HIS AGREEMENT.

13. LUNS CLOSING SUMMARY ON ITEM V: LUNS SUMMARIZED MINISTERIAL ACTION AS FOLLOWS:

- A. AGREEMENT ON IAU 400 MILLION CEILING FOR SLICES XXVI-XXX.
- B. AGREEMENT ON OPTION 4 (ANNEX TO REF A) SUBJECT TO US AND UK CONFIRMATION.
- C. NOTED TURKISH RESERVATION ON CONTRIBUTION TO US SPECIAL PROGRAM.
- D. NOTED STATEMENTS OF US, UK, AND TURKEY ON US SPECIAL PROGRAM AND AGREEMENT THAT SPECIAL PROGRAM WOULD BE REVIEWED

PROJECT BY PROJECT BY DPC IN PERMANENT SESSION.

E. NOTED STATEMENT BY CHAIRMAN, MILITARY COMMITTEE, RE HIS
POSSIBLE RETURN TO DPC FOR GUIDANCE FOLLOWING MILITARY ASSESS-
MENT OF IAU 400 MILLION CEILING.

F. NOTED STATEMENT BY ITALY ON COMPARISON OF INFRA-
STRUCTURE BIDS EX CUSTOMS AND TAXES.

G. AGREED TO A NICS MANDATORY PRODUCTION SHARE OF 27.5
PCT FOR TARE AND IVSN. BRUCE

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USNMR SHAPE
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